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9 *Proposed Attorneys for Taylor & Bishop, LLC*

10 **IN THE UNITED STATES BANKRUPTCY COURT**  
11 **FOR THE DISTRICT OF ARIZONA**

12 In re:

13 **TAYLOR & BISHOP, LLC,**

14 Debtor.

Case No. 2:10-bk-32563

In Proceedings Under Chapter 11

**AFFIDAVIT OF JOHN R.  
CLEMENCY IN SUPPORT OF  
APPLICATION FOR ENTRY OF  
INTERIM AND FINAL ORDERS  
UNDER 11 U.S.C. § 327(A)  
AUTHORIZING THE EMPLOYMENT  
OF GALLAGHER & KENNEDY, P.A.  
AS GENERAL COUNSEL TO THE  
DEBTOR**

15 I, John R. Clemency, declare under penalty of perjury:

16  
17 1. I am a shareholder with the law firm of Gallagher & Kennedy, PA  
18 ("G&K"), which maintains offices for the practice of law at 2575 E. Camelback Road,  
19 Suite 1100, Phoenix, Arizona 85016. I am an attorney at law, duly admitted and in good  
20 standing to practice in the State of Arizona and in state and federal courts in Arizona.

21  
22 2. I respectfully submit this declaration in connection with the "*Application*  
23 *for Entry of Interim and Final Orders Under 11 U.S.C. § 327(A) Authorizing the*  
24 *Employment of Gallagher & Kennedy, PA as General Counsel to the Debtor*" (the  
25 "Employment Application") filed by Taylor & Bishop, LLC ("T&B" or the "Debtor"),  
26 debtor and debtor-in-possession in the above-captioned bankruptcy case. Pursuant to the

1 Employment Application, 11 U.S.C. § 327(a), and Rules 2014(a) and 2016(a), Federal  
2 Rules of Bankruptcy Procedure, T&B asks the Court to enter an Order authorizing the  
3 retention of G&K as general bankruptcy and restructuring counsel for T&B in the above-  
4 captioned case.

5         3.       The purpose of this Declaration is to provide the disclosures required under  
6 11 U.S.C. § 327(a), as necessary to a finding that G&K qualifies as a “disinterested  
7 person” as defined in 11 U.S.C. § 101(14) of the Code. Consistent with Federal Rules of  
8 Bankruptcy Procedure 2014(a) and 2016(a), and the Local Rules of this Court, this  
9 Declaration is intended as a verified statement setting forth to the best of my knowledge,  
10 all of G&K’s connections with T&B, other parties in interest, and its professionals in this  
11 case, as well as all amounts received by G&K as compensation for professional services,  
12 expense reimbursements, and advance fee retainers in the one (1) year prior to the  
13 commencement of the bankruptcy case. In the event that additional connections within  
14 the scope of the foregoing Rules are discovered during the pendency of this case, G&K  
15 will undertake to file supplemental disclosures as may become necessary and appropriate.

16         4.       All capitalized terms not otherwise defined herein are intended to have the  
17 meanings ascribed to them in the Employment Application, the Bankruptcy Code, and  
18 other applications and motions filed contemporaneously with this Declaration.

19         5.       To the best of my knowledge and information, except as set forth below in  
20 paragraph 9, G&K has no connection with T&B, its respective creditors, any other party  
21 in interest herein, its current respective attorneys or professionals, the United States  
22 Trustee or any person employed in the office of the United States Trustee, and does not  
23 hold any adverse interest or represent any entity having an adverse interest in connection  
24 with T&B’s case. For so long as it represents T&B, G&K will not represent any person  
25 or entity other than T&B in connection with the above-captioned case.

26         6.       G&K maintains a computer conflict database containing the names of all of  
G&K’s current and former clients and, where practical, the known affiliates of those

1 persons and entities. G&K maintains and systematically updates its computer conflict  
2 system and database in the ordinary course of business, and it is the regular practice of  
3 G&K to make and maintain these records. The conflict check system and adverse party  
4 index maintained by G&K is designed to include every matter on which G&K is now or  
5 has been engaged, the entity by which G&K is now or has been engaged and, in each  
6 instance, the identity of related parties and adverse parties and the attorney at G&K who  
7 is knowledgeable about the matter. It is the policy of G&K that no new matter may be  
8 accepted or opened without completing, and submitting to those charged with  
9 maintaining the conflict check system and adverse party index, the information necessary  
10 to check each such matter for conflicts, including the identities of the prospective clients,  
11 the matter, and related and adverse parties. Accordingly, the database is regularly  
12 updated for every new matter undertaken by G&K.

13 7. In preparing this Declaration, I caused to be submitted to and checked  
14 against that database all of the following information:

- 15 a. the Debtor's names;
- 16 b. the names of T&B's equity holders;
- 17 c. the names of T&B's known creditors;
- 18 d. the names of T&B's principals and guarantors; and
- 19 e. the names of other parties on the Master Mailing List filed in the  
20 case.

21 8. As described more fully below, G&K and certain of its shareholders,  
22 counsel, and associates may have represented in the past, may represent presently or in  
23 the future, and/or may have other connections with, certain creditors of T&B or other  
24 professionals or parties in interest in this case. In all of the circumstances described, the  
25 matters have been and remain wholly and entirely unrelated to the representation of T&B  
26 in this case.

1           9.     G&K has in the past represented, currently represents, or has connections  
2 with the following persons and entities within the scope of Federal Rule of Bankruptcy  
3 2014(a):

- 4           a.     Prepetition, G&K represented the Debtor in connection with loan  
5 workout and restructuring negotiations with Bridgeview Bank  
6 Group, a secured creditor of the Debtor.  
7  
8           b.     G&K has been engaged to do work for (and continues to do work  
9 for) the Phoenix Suns and the Arizona Diamondbacks, both of which  
10 were owned in part at one point in time by Jerry Colangelo, who is  
11 the managing member of T&B.  
12  
13           c.     Currently, G&K is assisting Jerry Colangelo on certain issues arising  
14 out of a book that was recently published relating to the USA  
15 Basketball Team. In addition, G&K is assisting the USA Basketball  
16 with particular lease issues, and Jerry Colangelo is involved with  
17 USA Basketball.  
18  
19           d.     In the past, G&K has represented ADT Security Services, Inc.,  
20 arguably a creditor of T&B, in unrelated matters. G&K has not  
21 received compensation for work performed in representing ADT  
22 Security Services, Inc. since 2005.  
23  
24           e.     Debtor will seek to retain MCA as a financial advisor in this case.  
25 MCA has worked extensively with proposed counsel over the years  
26 on several other wholly unrelated matters, including most recently *In*  
*re VIP Emperor Estates, LLC* (Case No. 2:10-00776), *In re Valley*  
*Realty Advisors, LLC* (Case No. 2-07-bk-04217-CGC) and *In re*  
*Timothy ray Wright* (Case No. 2:09-bk-32244-SSC). Further, MCA  
has engaged proposed counsel to serve on occasion as counsel for  
MCA in litigation matters (primarily matters where MCA was  
appointed to serve as a receiver) and to represent MCA as the  
Liquidating Trustee for First Magnus Financial Corporation.  
f.     In addition, G&K has in the past represented and/or currently  
represents and may in the future represent, other entities not  
currently known to G&K who may be creditors of T&B in matters  
wholly unrelated to the bankruptcy case. To the extent that G&K  
discovers any such information, G&K will promptly disclose such  
information to the Court on notice to creditors and the United States  
Trustee.

10           10.    G&K is not a creditor of T&B, and is not an equity security holder or an  
11 insider of T&B.

12           11.    To the best of my knowledge, the standard articulated by courts regarding  
13 the retention of counsel by a debtor has been met in this case, and I believe the Court

1 should find that G&K neither holds nor represents any interest adverse to T&B or its  
2 estate, and accordingly is a “disinterested person” within the scope and meaning of  
3 Section 101(14) of the Bankruptcy Code.

4 12. The professional services that G&K expects to render to T&B include, but  
5 shall not be limited to, the following:

- 6 a. provide legal advice with respect to T&B’s powers and duties as  
7 debtor-in-possession in the continued operation of its businesses and  
8 management of its property;
- 9 b. prepare on behalf of T&B necessary applications, motions, answers,  
10 orders, reports and other legal papers;
- 11 c. appear in Court and protect the interests of T&B before the Court;
- 12 d. assist T&B with loan work outs and with the collection and  
13 disposition of T&B’s assets, by sale or otherwise;
- 14 e. assist T&B in preparing and confirming a Chapter 11 plan; and
- 15 f. represent T&B in connection with all aspects of its bankruptcy case  
16 and perform all legal services for T&B, which may be necessary and  
17 proper in these proceedings.

18 13. Subject to this Court’s approval and in accordance with Sections 330 and  
19 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the rules of  
20 and other procedures that may be fixed by this Court, G&K and T&B have agreed that  
21 G&K will be compensated on an hourly basis in accordance with G&K’s ordinary and  
22 customary rates which are in effect on the date the services are rendered, and that G&K  
23 will be reimbursed for all costs incurred by G&K with respect to this matter, at the rates  
24 G&K commonly charges other G&K clients for such costs, and for all actual expenses  
25 advanced by G&K with respect to this matter.

26 14. G&K has advised T&B that the current hourly rates for the attorneys that  
are expected to have primary responsibility for this representation on behalf of G&K are  
as follows:

- a. John R. Clemency \$525 per hour

- 1           b.     Julie Rystad                   \$400 per hour  
2           c.     Lindsi Weber               \$275 per hour  
3           a.     Brooke Allison            \$250 per hour

4     Other G&K attorneys and paralegals may render services to T&B as needed. Generally,  
5     G&K's hourly rates fall within the following ranges:

| <u>Title</u>     | <u>Rate per Hour</u> |
|------------------|----------------------|
| Shareholders     | \$350 - \$575        |
| Associates       | \$250 - \$350        |
| Paralegals       | \$185 - \$225        |
| Legal Assistants | \$150                |

11           15.    The hourly rates set forth above are G&K's standard hourly rates for work  
12     of this nature. These rates are set at a level designed to compensate G&K fairly for the  
13     work of its attorneys and paralegals. It is G&K's policy to charge its clients in all areas  
14     of practice for all other expenses incurred in connection with the client's case. The  
15     expenses charged to clients include, among other things, telephone and telecopier toll and  
16     other charges, mail and express mail charges, special or hand delivery charges, document  
17     processing, photocopying charges, travel expenses and travel related expenses, and  
18     computerized research and transcription costs. G&K will charge T&B's estate for these  
19     expenses in a manner and at rates consistent with charges made generally as counsel for  
20     debtors and committees.

21           16.    G&K intends to apply to the Court for allowance of compensation for  
22     professional services rendered and reimbursement of charges and disbursements incurred  
23     in this case in accordance with applicable provisions of the Bankruptcy Code, the Federal  
24     Rules of Bankruptcy Procedure, the Local Bankruptcy Rules for the District of Arizona,  
25     and the orders of this Court. G&K will seek compensation for the services of each  
26     attorney and para-professional acting on behalf of T&B in this case at the then-current  
   rate charged for such services on a non-bankruptcy matter.

1           17. T&B provided G&K, and G&K currently holds an advance fee retainer in  
2 the amount of \$72,481.86 (the "Retainer"). G&K has informed T&B, and T&B has  
3 agreed, that G&K will hold the Retainer in trust during the pendency of this case to be  
4 applied to toward the payment of G&K's final compensation and expenses awarded in  
5 the case pursuant to 11 U.S.C. § 330(a)(1).

6           18. G&K will send T&B invoices for services rendered and disbursements  
7 incurred. T&B understands and agrees that G&K will apply to the Court for approval of  
8 interim compensation and expense reimbursement from time to time during the case in  
9 accordance with 11 U.S.C. § 331, the Federal Rules of Bankruptcy Procedure, the Local  
10 Bankruptcy Rules for the District of Arizona, and the orders of this Court. Subject to  
11 Court approval, T&B agrees to pay all interim compensation and expense  
12 reimbursements during the case from cash on hand promptly upon approval by the Court.

13           19. G&K has agreed to accept as compensation in this case such sums as may  
14 be allowed by the Court on the basis of (i) the professional time spent; (ii) the rates  
15 charged for such services; (iii) the necessity of such services to the administration of the  
16 estate; (iv) the reasonableness of the time within which the services were performed in  
17 relation to the results achieved; and (v) the complexity, importance, and nature of the  
18 problems, issues or tasks addressed in this case.

19           20. Other than as set forth above, there is no proposed arrangement to  
20 compensate G&K in this case. No promises have been received by G&K, nor by any  
21 shareholder, counsel, or associate thereof, as to compensation in connection with this  
22 case other than in accordance with the provisions of the Bankruptcy Code, and the  
23 professional fees awarded and paid to G&K in connection with this case will not be  
24 shared except among the shareholders, counsel, and associates of G&K.

25           21. G&K does not hold any interest adverse to T&B. Other than as set forth  
26 above, G&K has not previously represented T&B in any matters related to this

1 bankruptcy case. G&K is not currently owed any unpaid professional fees or expenses in  
2 connection with its previous representation of T&B.

3 22. By reason of the foregoing, I believe that the standard articulated by courts  
4 regarding the retention of general counsel by a debtor-in-possession has been met in this  
5 case; that the Court should find that G&K neither holds nor represents any interest  
6 adverse to T&B or its estate and accordingly is a "disinterested person" within the scope  
7 and meaning of Section 101(14) of the Bankruptcy Code; and that G&K is eligible for  
8 employment and retention by T&B pursuant to Section 327(a) of the Bankruptcy Code  
9 and the applicable Bankruptcy Rules. To the extent that any of the connections of G&K  
10 as described in this Declaration may be perceived by the Court as threatening to impair  
11 its ability to represent T&B in any aspect of this case, T&B will seek to retain special  
12 counsel to address those matters, and I will assist T&B in making arrangements to do so.  
13

14 If called to testify in this matter, I would testify consistent with my statements  
15 herein.

16 DATED this 8th day of October, 2010.  
17

18  
19 /s/ John R. Clemency  
John R. Clemency

20  
21 Copies of the foregoing served  
22 this 8th day of October, 2010, via  
First-class, U.S. Mail to the parties  
on the attached service list.

23 /s/ Donna Elliott  
24  
25  
26



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